

COMMONWEALTH OF VIRGINIA
MINUTES OF THE VIRGINIA GAS AND OIL BOARD HEARING
October 19, 2010

Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board was held at its regularly scheduled meeting at 9 a.m. on Tuesday, October 19, 2010, at the Russell County Office Complex, Conference Center, and 139 Highland Drive, Lebanon, Virginia.

Board members present included: Katie Dye, Mary Quillen, Bruce Prather, Donnie Ratliff, Bill Harris, and Bradley (Butch) Lambert, Chairman.

Also present were Sharon M. B. Pigeon, Sr. Assistant Attorney General, David E. Asbury Jr., Principal Executive to the Staff of the Board, and Diane J. Davis, Programs Administrator Division of Gas and Oil.

1. The board will receive public comments.

Public comments were received from:

1. Mitchell Counts
2. Catherine Jewell
3. Shirley Keene
4. Martha S. Guilliams

2. The board received a quarterly report from the Escrow Agent, First Bank and Trust.

A quarterly report was presented by Mr. Leton Harding, Ms. Debbie Davis, Ms. Karen McDonald. The Board began discussions regarding first calendar quarter 2011 and requested FB&T representatives to appear at the November 16, 2010 hearings and provide recommendations and investment options.

3. A petition from EQT Production Company requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit VC-536190 for a portion of Tract 1, New Garden District, Russell County, Virginia. Docket Number VGOB-06-1114-1761-01.

The disbursement was approved by the Board.

4. A petition from CNX Gas Company, LLC requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit AA-8 for a portion of Tract 1B on behalf of Harrison Wyatt, LLC, Alice Elliot, John Jackson and Wanda Arms, Prater & Hurricane Districts, Buchanan County, Virginia. Docket Number VGOB-90-1010-0032-07.

The disbursement was approved by the Board.

5. A petition from CNX Gas Company, LLC requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit BB-8 for a portion of Tract 2 on behalf of Harrison Wyatt, LLC, Alice Elliot, John Jackson and Wanda Arms, Prater and Hurricane Districts, Buchanan County, Virginia. Docket Number VGOB-90-1010-0033-07.

The disbursement was approved by the Board.

6. A petition from CNX Gas Company, LLC requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit AY-114 for a portion of Tract 4 on behalf of H. C. Bostic Coal Company and Bernie Dye, New Garden District, Russell County, Virginia. Docket Number VGOB-01-0821-0916-01.

The disbursement was approved by the Board.

7. A petition from CNX Gas Company, LLC requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit AX-114 for a portion of tract 4 on behalf of H. C. Bostic Coal Company and Bernie Darin Dye, New Garden District, Russell County, Virginia. Docket Number VGOB-01-0116-0859-01.

The disbursement was approved by the Board.

8. A petition from CNX Gas Company, LLC requesting **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit AA-9 on behalf of Harrison Wyatt, LLC, Ronald Newberry, Roger Miller, Teresa McGlothlin, Sherrie Boyd, Alice Elliot, John Jackson and Wanda Arms, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-091-0430-0116-06.

The disbursement was approved by the Board.

9. A petition from CNX Gas Company, LLC for **disbursement** of funds and authorization of direct payment of royalties from coalbed methane gas unit AY-113 for a portion of Tract 4, on behalf of Bernie Dye and H. C. Bostic Coal Company, New Garden District, Russell County, Virginia. Docket Number VGOB-01-0821-0915.

The disbursement was approved by the Board.

10. A petition from CNX Gas Company, LLC for **pooling** of coalbed methane unit G-17, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0817-2778.

The petition was approved by the Board.

11. A petition from CNX Gas Company, LLC for **pooling** of coalbed methane unit I-17, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0817-2781.

The petition was approved by the Board.

12. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane gas unit 416 VA F33, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0921-2798. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board

13. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 417 VA F-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-921-2799. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with no escrowing.

14. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 420 VA F-37, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0921-2800. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required for unknowns.

15. A petition from Appalachian Energy, Inc. for **pooling** of coalbed methane unit AE-261 (G-95), North Grundy District, Buchanan County, Virginia. Docket Number VGOB-10-0921-2801. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with no escrowing required.

16. A petition from EQT Production Company for **pooling** of gas unit and well VC-536323 (Nora Grid AH-74), Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2802. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

17. A petition from EQT Production Company for **pooling** of gas unit and well VC-537061 (Nora Grid Ah-73), Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2803. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

18. A petition from EQT Production Company for **pooling** of gas unit and well VC-537047 (Nora Grid BB-87), Hurricane District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2804. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with no escrowing required.

19. A petition from EQT Production Company for **pooling** of gas unit and well VC-537112 (Nora Grid BL-77), Ervinton District, Dickenson County, Virginia. Docket Number VGOB 10-0921-2805. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

20. A petition from EQT Production Company for **pooling** of gas unit and well VC-536520 (Nora Grid BM-93), Hurricane District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2806. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

21. A petition from EQT Production Company for **pooling** of gas unit and well VC-539984 (Pound Unit 21), Gladeville District, Wise County, Virginia. Docket Number VGOB 10-0921-2807. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

22. A petition from EQT Production Company for **pooling** of conventional gas unit and well V-531579 (Circular Statewide Spacing), Roberson District, Wise County, Virginia. Docket Number VGOB 10-0921-2808. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board with escrowing required.

23. A petition from EQT Production Company for a **well location exception** for proposed well V-531579, (Circular Statewide Spacing), Roberson District, Wise County, Virginia. Docket Number VGOB 10-0921-2809. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board.

24. A petition from EQT Production Company for the **establishment of a provisional drilling unit (EQT-2810)** consisting of 320 acres for the drilling of horizontal conventional gas wells, Gladeville District, Wise County, Virginia. Docket Number VGOB 10-0921-2810.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board.
25. A petition from EQT Production Company for the **establishment of a provisional drilling unit (EQT 2811)** consisting of 320 acres for the drilling of horizontal conventional gas wells, Lipps District, Wise County, Virginia. Docket Number VGOB 10-0921-2811.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board.
26. A petition from EQT Production Company for **Modification of the Nora Coalbed Gas Field** to allow one additional coalbed gas well to be drilled within each of the 58.77 acre Nora Units: **79BQ**(VC-1852), **53BD**(VC-536380), **54BD**(VC-535726), **55BD**(VC-535727), **52BE**(VC-536384), **53BE**(VC-535729), **54BE**(VC-535728), **55BE**(VC-4525), **76AQ**(VC-536617), **75AR**(VC-2453), **76AR**(VC-3558), **77AR**(VC-503559), **75AS**(VC-536091), **76AS**(VC-3171), **77AS**(VC-3432), **81AQ**(VC-536641), **81AR**(VC-536642), **82AR**(VC-536644), **81AS**(VC-2399), **82AS**(VC-3721), **77AQ**(VC-536621), **75AQ**(VC-536611), **88BO**(VC-536191). Docket Number VGOB 89-0126-0009-70.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board.
27. A petition from CNX Gas Company, LLC for the **creation of a *provisional* drilling unit, location exception and pooling** of horizontal coalbed methane gas unit U3, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2812.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board with escrowing required.
28. A petition from CNX Gas Company, LLC for **the creation of a *provisional* drilling unit, location exception and pooling** of horizontal coalbed methane unit U6, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2813.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board with escrowing required.
29. A petition from CNX Gas Company, LLC for **creation of a drilling unit and a location exception** of horizontal coalbed methane gas Unit N77, Rocklick District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2814.
[Continued from September 21 to October 19, 2010.](#)
The petition was approved by the Board.
30. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane gas unit J-45, Garden District, Buchanan County Virginia. Docket Number VGOB 02-0716-1043-01.
[Continued from September 21 to October 19, 2010.](#)
The petition for re-pooling was approved by the Board.

31. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane gas unit K-45, Garden District, Buchanan County, Virginia. Docket Number VGOB 04-0316-1262-01. [Continued from September 21 to October 19, 2010.](#)

The petition for re-pooling was approved by the Board.

32. A petition from CNX Gas Company, LLC for a **re-pooling** of coalbed methane gas unit Q-41, Garden District, Buchanan County, Virginia. Docket Number VGOB 93-0216-0327-03. [Continued from September 21 to October 19, 2010.](#)

The petition for re-pooling was approved by the Board.

33. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane gas unit Q-40, Garden District, Buchanan County, Virginia. Docket Number VGOB 93-0216-0328-01. [Continued from September 21 to October 19, 2010.](#)

The petition for re-pooling was approved by the Board.

34. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane gas unit P-41, Garden District, Buchanan County, Virginia. Docket Number VGOB 93-0216-0329-03. [Continued from September 21 to October 19, 2010.](#)

The petition for re-pooling was approved by the Board.

35. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed conventional gas well V-530247, Ervinton District, Dickenson County, Virginia. VGOB 10-0518-2711-01. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board.

36. A petition from Range Resources-Pine Mountain, Inc. for **pooling** of horizontal conventional gas unit VH-530269, Ervinton District, Dickenson County, Virginia. Docket Number VGOB 10-0921-2815. [Continued from September 21 to October 19, 2010.](#)

The petition was continued to November 2010 at the request of the applicant.

37. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed conventional gas well V-530296, Ervinton District, Dickenson County, Virginia. Docket Number VGOB 10-0921-2816. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board.

38. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed conventional gas well V-530295, Ervinton District, Dickenson County, Virginia. VGOB 10-0921-2817. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board

39. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed conventional gas well V-530270, Kenady District, Dickenson County, Virginia. Docket Number VGOB 10-0921-2818. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board.

40. A petition from Range Resources-Pine Mountain, Inc. for **the establishment of a drilling unit and pooling** of conventional gas well unit V-530270, Kenady District, Dickenson County, Virginia. Docket Number VGOB 10-0921-2819. [Continued from September 21 to October 19, 2010.](#)

The petition was continued to November 2010 at the request of the applicant.

41. A petition from Range Resources-Pine Mountain, Inc. for **the establishment of a drilling unit and pooling** of conventional gas well unit 900001, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2820. [Continued from September 21 to October 19, 2010.](#)

The petition was continued to November 2010 at the request of the applicant.

42. A petition from Range Resources-Pine Mountain, Inc. **for the establishment of a drilling unit and pooling** of conventional gas well 900004, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2821. [Continued from September 21 to October 19, 2010.](#)

The petition was continued to November 2010 at the request of the applicant.

43. A petition from Range Resources-Pine Mountain, Inc. **a well location exception** for proposed conventional gas well 900005, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2822. [Continued from September 21 to October 19, 2010.](#)

The petition was continued to November 2010 at the request of the applicant.

44. A petition from Range Resources-Pine Mountain, Inc. for **a well location exception** for proposed well conventional gas well 900003, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2823. [Continued from September 21 to October 19, 2010.](#)

The petition was withdrawn by the applicant.

45. A petition from Range Resources-Pine Mountain, Inc. for **a well location exception** for proposed conventional gas well 900004, Prater District, Buchanan County, Virginia. Docket Number VGOB 10-0921-2824. [Continued from September 21 to October 19, 2010.](#)

The petition was approved by the Board.

46. The Board will receive an update from the Staff regarding escrow activities.
Mr. Asbury reviewed the Escrow Account Historical Summary, noting royalty payments from producers year-to-date has surpassed \$2.3 million and approved disbursements of \$0.979 million through September 30, 2010

Quarterly Statement of Account

Virginia Oil and Gas Board (VGOB)	Wachovia Bank, Escrow Agent for:					First Bank & Trust Company				
	2005 Year-End	2006 Year-End	2007 Year-End	2008 Year-End	2009 Year-End	2010 1st Qtr	2010 2nd Qtr	Through September 30 2010 3rd Qtr	2010 4th Qtr	2010 Year-End
1 Beginning Value	10,307,951	\$ 13,049,865	\$ 15,942,163	\$ 18,514,685	\$ 23,983,291	\$ 24,142,156	\$ 25,647,347	25,961,942		\$ 24,142,156
2 Wachovia Retainage-Transition						815,348				815,348
3 Contributions	2,947,443	3,505,651	2,880,421	5,374,604	2,640,340	987,766	774,562.13	548,525.74		2,310,854
4 Income (net) / Interest Income	243,151	573,877	754,937	346,885	(25,638)	15,177	16,166.86	19,284.293		50,629
5 Realized Gain / (Loss)	-	-	-	-	-	-	0.00			-
6 Unrealized Gain / (Loss)	-	-	-	-	-	-	0.00			-
7 Escrow Agent Fees and Expenses	-	-	-	-	-	(11,950.46)	(6,473.71)	(6,515.17)		(24,939)
8 Escrow Audit Fees and Expenses							-23,000.00	0		(23,000)
9 Correcting Entries							0.00	0		-
10 Withdrawals / Disbursements	(448,800)	(1,187,230)	(1,062,837)	(252,883)	(1,640,489)	(301,150)	(446,660)	(232,170)		(979,980)
11 Ending Value	13,049,744	\$ 15,942,163	\$ 18,514,685	\$ 23,983,291	\$ 24,957,504	\$ 25,647,347	\$ 25,961,942	\$ 26,291,067	\$ -	\$ 26,291,067

47. The Board will review the September 2010 minutes for approval.

The September 2010 minutes were approved.

In further action, the Board desires and made the following motions to expand the on-going Escrow Audit:

1. Extend the audit engagement with Robinson, Farmer, Cox Associates through December 31, 2011.

2. Expand the Escrow Audit work to include all gas unit accounts approved for escrowing beginning January 1, 2000.

3. Hire independent contractors who will report to the Staff's Principle Executive for the specific purpose of reconciling escrow account beginning January 1, 2000.

The **deadline for filing of petitions to the Board for the January 2011 hearing is 5 p.m., Friday, December 17, 2010** with the January hearing scheduled for Tuesday, January 18, 2011 at the Russell County Government Complex, Conference Center, and 135 Highland Drive, Lebanon, Virginia.

The Board will conduct the November hearing on Tuesday November 16, 2010.

The December Board hearing has been rescheduled for Tuesday, December 14, 2010 and will be limited to disbursement petitions, board motions, and docket items continued from previous months.